

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Southern California Edison Company (U338E) for Authority to Increase its Authorized Revenues for Electric Service in 2021, among other things, and to Reflect that Increase in Rates.

Application 19-08-013
(Filed August 30, 2019)

MOTION OF THE UTILITY REFORM NETWORK

TO STRIKE PORTIONS OF UPDATE TESTIMONY

SERVED JULY 24, 2020, BY SOUTHERN CALIFORNIA EDISON COMPANY



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Southern California Edison Company (“SCE”) has served two volumes of “update” testimony in this proceeding. Pursuant to Rule 11.1 of the Commission’s Rules of Practice and Procedure, The Utility Reform Network (“TURN”) files this motion to strike, which addresses only elements of the second volume, served July 24, 2020 and designated as Exhibit SCE-52.¹

TURN seeks to strike the portions of Exhibit SCE-52 that address new forecasts that go beyond the appropriate bounds of update testimony and place other parties at a disadvantage in terms of having a reasonable opportunity to review or respond to SCE’s request. The Commission should strike the testimony on SCE’s modified uncollectible rate and associated expense forecast, and the cost entry (without supporting testimony) for a settlement that has been reached but not yet submitted on a subset of disputed issues involving Community Access service fees.

I. SCE’s Update Testimony in Exhibit SCE-52

SCE’s Update Testimony begins with a recitation of what the utility characterizes as the “criteria” the Commission has “outlined” for update testimony: specifically, changes in labor costs based on either completed contract negotiations or updated data using the same indices used in the original testimony; changes in non-labor escalation factors, again using the same indices as were used in the original testimony; and “known

¹ The first volume of update testimony, served July 1, 2020 and designated Exhibit SCE-24, addressed vegetation management spending and the impacts of Senate Bill 247. At this time, TURN continues to review the testimony, data request responses, and related materials, and has taken no position on the appropriateness of treating these topics as “update” testimony pursuant to the General Rate Case Plan.

changes due to governmental action such as changes in tax rates, postage rates, or assessed valuation.”² In fact, the Rate Case Plan uses stronger language to describe the limited range of issues appropriate for update testimony: “Any update testimony or exhibits filed by applicant, staff, or interested party shall be limited to” the listed factors.³

After describing the Rate Case Plan’s limited categories for appropriate update testimony, SCE identifies seven categories of revenue requirement changes it seeks through the update testimony submitted here.⁴ SCE also includes an updated forecast of the year-end balance in its Emergency Customer Protections Memorandum Account (ECPMA), Integrated Distributed Energy Resources Administrative Costs Memorandum Account (IDERACMA), and Distribution Deferral Administrative Costs Memorandum Account (DDACMA), but does not include those changes in its updated revenue requirement figures.

II. TURN Does Not Seek To Strike The Update Testimony Addressing Postage Expense, Escalation Rates, or Cost of Capital.

Three of SCE’s proposed changes in its update testimony appear to clearly fit within the limited scope of appropriate update testimony described in the Rate Case Plan. In each case, SCE appears to be merely updating its earlier forecast by substituting a known and easily quantified change, and otherwise retaining the earlier calculation method.

² Ex. SCE-52, p. 1, citing D.89-01-040.

³ The update testimony limitations appeared more recently in D.07-07-004 (*Opinion Modifying Energy Rate Case Plan*), Appendix A, p. A-36.

⁴ Ex. SCE-52, p. 2, Table I-1.

The updated postage expenses are presented as the product of taking the utility's earlier-presented forecasts of the number of units subject to a given postage rate, and multiplying those figures by the new postal rates that were approved in late 2019 and took effect in early 2020.⁵ That is, the forecast method remains the same as SCE had presented in its earlier testimony, and the change in the associated revenue requirement is limited to the impact of a known and independently-established difference to a distinct factor of that forecast method.

The same appears to be true for the proposed revenue requirement changes to reflect updated escalation rates and the cost of capital. The labor and non-labor escalation rates are specifically referenced in the Rate Case Plan's description of update testimony. Here, SCE appears to substitute a more recent forecast from the same firm that had provided the forecast underlying SCE's direct testimony.⁶ Similarly, the cost of capital update substitutes the figures adopted in D.19-12-056 for the capital structure and return on rate base figures that had been authorized as of the time SCE served its GRC application, with no change other than replacement of the earlier figures for each of those factors.

In each of these three categories, other than swapping out the earlier-authorized figure for the more recently-issued figures, there was no change to any previously-used forecast method or any reliance on a new forecast method. Therefore, TURN does not seek to strike the update testimony on postage expenses, escalation rates, or cost of capital.

⁵ Ex. SCE-52, pp. 15-16 and Table V-9.

⁶ *Id.*, pp. 8-11 and Tables III-4, III-5 and III-6.

III. The Update Testimony on Residential Uncollectible Expenses Should Be Stricken.

SCE's update testimony seeks to increase the test year 2021 revenue requirement by approximately \$6.8 million as the forecast of the increased uncollectible expense the utility will experience due to implementation of the Arrearage Management Program (AMP) adopted in D.20-06-003, issued last month in the Residential Disconnections Rulemaking (R.18-07-005).⁷ As SCE acknowledges, in that decision the Commission did not determine the impact that the new program might have on any of the utilities' uncollectible expense; instead, the Commission authorized creation of a two-way balancing account for purposes of recording and providing a future rate recovery opportunity for any such impact.⁸ Thus, removing this expense from SCE's update testimony and excluding it from the GRC generally will not prevent SCE from having a reasonable opportunity to recover any increase to its uncollectible expense attributable to the factors addressed in the update testimony; however, the recovery would not occur through the GRC.⁹ SCE acknowledges this fact, but asserts that an increase to its GRC-authorized revenue requirement would be "reasonable and prudent" in order to minimize the potential undercollection recorded in the balancing account.¹⁰

⁷ Ex. SCE-52, p. 2, Table I-1, line 11.

⁸ Ex. SCE-52, p. 17.

⁹ TURN acknowledges that Section 15.5.2 of D.20-06-003 describes a process for AMP Implementation. The first step is an advice letter to establish the arrearage management plan for CARE and FERA customers (due 90 days after the June 11, 2020 effective date of the decision). The decision then refers to associated costs being addressed "in the utilities next GRC." TURN submits that the "next GRC" is reasonably understood to be the GRC following after the AMP has been established and operated for some period, and is not reasonably understood to include the present GRC, which was already well underway at the time the decision became effective, and would require a review of a cost forecast developed before the AMP advice letter has even been submitted.

¹⁰ Ex. SCE-52., p. 18.

The original version of SCE's update testimony forecasts a 0.86% increase to the uncollectible factor set forth in its direct testimony, representing a near 50% increase from 0.180% to 0.266%.¹¹ SCE describes two calculations underlying its proposal. The first purports to calculate the "average annual incremental uncollectible expenses for customers newly eligible for the AMP program."¹² For this initial calculation, SCE appears to have assumed that the recorded figures for 2019 (rather than, say, an average reflecting several years' recorded data) are sufficiently representative for purposes of making such a calculation. SCE also explicitly assumes that it will achieve 90% participation in this new program, due to its expectation that the new program will be "well received" but without any information supporting the reasonableness of this figure as a proxy for the "actual level of customer AMP participation,"¹³ or any evidence that SCE has achieved anything close to a 90% participation rate in the first year of any new program requiring customer enrollment. SCE merely anticipates some customers may choose not to participate, while others may enroll in the program but then drop out due to non-payment, and chooses 10% as the estimate of the impact on enrollment.¹⁴ The product of this initial calculation is a "Forecast Net Annual Uncollectible Expense" of \$11.053 million.

The second calculation described in SCE's update testimony takes the \$11.053 million figure from the first calculation, and then adds into the mix "the forecast beginning number of AMP eligible customers, the forecast annual number of additional AMP eligible

¹¹ *Id.*, p. 18, Table VI-10. TURN is aware that SCE has subsequently served a second errata version of its update testimony that would slightly increase the amount of the requested increase to the uncollectible rate.

¹² *Id.*, p. 19.

¹³ *Id.*, p. 20.

¹⁴ *Id.*

customers..., the timing of related uncollectible expenses, and the forecast customer participation level in AMP.” From all of this, SCE deduces a forecast of \$10.359 million as “the average annual AMP program incremental expense over the GRC period.”¹⁵

TURN submits that the types of calculations and assumptions underlying SCE’s forecast of increased uncollectibles expense demonstrate the inappropriateness of including this request in the Update Testimony. If the Commission had adopted the \$10.359 million expense forecast in D.20-06-003, and SCE were simply converting that figure to a stand-alone uncollectible factor to be added to SCE’s previous uncollectible factor forecast, then the circumstances might be closer to those of the updates for postage rates or the cost of capital. Instead, SCE had to create a new forecast where one had not existed before, and made a number of assumptions in order to develop that forecast. The reasonableness of SCE’s forecast depends on the reasonableness of each of those assumptions. And that type of new forecast is beyond the scope of the types of changes that may be appropriate during the update phase of a GRC. The procedural schedule for this phase is quite compressed, with little time for meaningful discovery and no opportunity for parties to perform an in-depth analysis of SCE’s forecast, or to develop or present alternative forecasts.

The Commission should strike the update testimony regarding increased uncollectible expense, and instead rely on the balancing account authorized in D.20-06-003 as the vehicle for recording and eventually recovering changed uncollectible amounts arising from that decision. To this end, the Commission should strike Chapter VI in its entirety, and the other references to that chapter and to the uncollectible expense that appear elsewhere in the testimony.

¹⁵ *Id.*, pp. 21-22 and Table IV-12.

IV. The Increase For The CCA Settlement Agreement Should Be Removed From The Update Testimony.

SCE's update testimony seeks to increase by just under \$1 million the test year 2021 revenue requirement to reflect the impact of a settlement SCE has reached with the "SoCal CCAs." The explanation included in the update testimony states that a settlement is still being prepared, and will be available for the review and comment of all parties at some point in the future. The testimony also states that the settlement impacts two CCA fees in a manner that would reduce the Other Operating Revenue forecast, which has the impact of increasing the requested revenue requirement.¹⁶ There is nothing in the update testimony describing how these figures were derived, or where they may be found in the record.

It is not clear to TURN why SCE believes that the revenue requirement impact of a settlement is an appropriate topic for inclusion in update testimony. The existing process for presenting a proposed settlement and for providing parties an opportunity to review and comment on its contents and impacts would seem to suffice and, in that way, render unnecessary including a proposed settlement's revenue requirement impacts in the update testimony. Therefore, the Commission should strike the portion of the update testimony describing the settlement agreement and its purported impact on the requested revenue requirement. The necessary excisions would be line 10 from Table I-1, and the associated description for line 10 that appears on page 3.

¹⁶ Ex. SCE-52, p. 3, description of Line 10 on Table I-1.

V. The Revenue Requirement Change From AB 560 May Be Inappropriate For Update Testimony.

SCE's Update Testimony includes a reduction of approximately \$1.4 million to the requested test year 2021 revenue requirement as a result of adjustments SCE claims would achieve compliance with Assembly Bill 560. The new legislation, enacted late in 2019 and effective as of January 1, 2020, prohibits SCE from recovering in rates expenses incurred "in assisting or deterring union organizing."¹⁷ SCE's Update Testimony describes two new calculations, one for a 2021 test year adjustment that is tied to estimates of time employees devoted to a unionization campaign in 2018, and the other for a 2020 adjustment that is tied to estimates from a 2015 campaign. SCE also attached a nine-page table setting out the accumulated estimates it received from its employees.¹⁸

As with the uncollectible expense discussed above, TURN submits that this type of forecast is inappropriate for Update Testimony. This is not a single changed factor being folded into a forecast otherwise already included in SCE's direct testimony; rather, it is a wholly new forecast developed and presented here for the first time. And the reasonableness of the forecast depends on the reasonableness of each of the assumptions made during its preparation. Most notably, SCE's forecasts are only as good as its employees' recollections of events that took place in 2018, a period in which "there was no requirement that these employees track their time," and the reasonableness of using the recollections of 2018 activities as a basis for the estimate of 2015 activities.

However, TURN recognizes that SCE's calculations would lead to a small revenue requirement decrease that would otherwise not occur in the GRC. Furthermore, it is not

¹⁷ *Id.*, p. 23, citing Public Utilities Code Section 468.

¹⁸ *Id.*, pp. 23-24 and Appendix C.

clear to TURN where and when the adjustment to implement AB 560 would be made if not in the GRC. To the extent the adjustment would be included in an EERRA proceeding, with review limited to “compliance,”¹⁹ the review may not be meaningful for purposes of establishing the reasonableness of the amount being removed from rates. Therefore, while TURN believes SCE’s recommendation is inappropriate for update testimony, under the circumstances here TURN does not seek to strike that portion of the update testimony here. The Commission should not be surprised if it sees a new recommendation in TURN’s brief urging adoption of a requirement that SCE employees who engage in activities subject to AB 560 be required to track their time in a manner that ensures compliance with the new statute.

VI. Conclusion

For the reasons set forth above, TURN respectfully urges the Commission to strike the identified portions of SCE’s update testimony as set forth in Exhibit SCE-52 and any errata associated with those portions of that exhibit.

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Respectfully submitted,

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¹⁹ *Id.*, p. 24.